U.S. Regional Banks Earnings Update

Bad Loan Contagion?

Several banks have reported large charge-offs of bad loans stemming from several bankruptcies (including Tricolor Holdings and First Brands). As Jamie Dimon of JPMorgan mentioned during their earnings call, "…when you see one cockroach, there are probably more." In EVA, we show the Net Charge-Offs FEA (Financial Earning Assets) on our EVA Income Statement. In **Figure 1** below, we see the report for Zions Bancorporation NA (ZION). While these reports typically show trailing-four-quarter (TFQ) results, in this screenshot, we have switched to a quarterly view. In the third row, we see Zion's Net Charge-Offs FEA jump from 1.2% in the 2nd quarter (6/30/2025) to 6.5% in the 3rd quarter (9/30/2025), which reflects the $50M charge-off the bank made in connection with distressed residential and commercial mortgages. Large Charge-Offs are not unheard of at ZION as they also had a significant one in the 4th quarter of 2024 (4.4%), which came from a single non-performing loan. On page 2, we provide a list of the U.S. Regional Banks that have reported 3rd-quarter earnings and have added our Net Charge-Offs metric to the data table.

Figure 1: Net Charge-Offs in the EVA Income Statement for ZION

ZION - EVA Income Statement					21-Oct-25
Fiscal Period:	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3
Period Ending:	9/30/24	12/31/24	3/31/25	6/30/25	9/30/25
Sales	**$792**	**$820**	**$795**	**$838**	**$861**
Sales Growth Rate (y-o-y)	***3.5%***	***10.8%***	***7.1%***	***8.0%***	***8.7%***
Net Charge-Offs FEA	0.4%	4.4%	2.0%	1.2%	6.5%
SG&A (Adjusted)	38.2%	37.6%	41.3%	38.4%	34.7%
EBITDAR Margin	**61.5%**	**58.0%**	**56.7%**	**60.5%**	**58.8%**
FEA Capital Charge	15.7%	15.3%	15.8%	15.8%	16.9%
PP&E Charge	16.7%	15.7%	16.1%	15.4%	14.3%
EVA From Operations Margin	**29.2%**	**27.0%**	**24.8%**	**29.3%**	**27.6%**
Intangible Capital Charge	1.5%	1.5%	1.7%	1.7%	1.6%
Ad&Promo Charge	*1.4%*	*1.4%*	*1.5%*	*1.4%*	*1.4%*
Book Intangibles Charge	*0.1%*	*0.1%*	*0.2%*	*0.3%*	*0.2%*
EVA Before Tax Margin	**27.7%**	**25.6%**	**23.2%**	**27.6%**	**26.0%**
EVA Effective Tax Rate	25.0%	25.0%	25.0%	25.0%	25.0%
EVA After Tax Margin	**20.8%**	**19.2%**	**17.4%**	**20.7%**	**19.5%**
EVA From Financing Capital	0.6%	-0.1%	1.8%	1.7%	1.6%
Other EVA	-16.3%	-15.8%	-16.9%	-15.6%	-17.4%
EVA Ex Goodwill/Special Items Margin	**5.1%**	**3.2%**	**2.2%**	**6.8%**	**3.6%**
Goodwill & Cum Unusual Items	5.2%	5.1%	5.3%	5.1%	5.0%
EVA Margin	**-0.1%**	**-1.9%**	**-3.1%**	**1.7%**	**-1.4%**

Post-Inflection

In the table in **Figure 2** on page 2, we also include our Post-Inflection Count. The Post-Inflection Count indicates the number of quarters the company has posted positive EVA Momentum (a positive count) or negative EVA Momentum (a negative count) since the last inflection (company went from negative to positive momentum or positive to negative momentum). We note that of the 34 Regional Banks reporting, 16 of them have a negative inflection and 11 of those are the first negative quarter (Post Inflection Count = -1) which means many of these banks have just seen a shift from improving value creation to declining value creation. In contrast, only 2 banks have seen their first positive inflection – most of the positive numbers have seen several quarters of improvement.

Key Points

Our Net Charge-Offs metric is displayed on the EVA Income Statement for Banks. We can use this to determine the overall quality of the Banks loans and contextualize the results across the Bank's history and in comparison to peers.

Figure 2 provides a list of the U.S. Regional Banks that have reported 3Q2025 earnings thus far. The companies are listed in descending Market Cap. We provide PRVit, Profitability, and Valuation scores as well as the Net Charge-Offs (as a percentage of Sales) for the latest quarter, last quarter, and the year-ago quarter.

Figure 3 shows the factor performance of Profitability, Risk, and Valuation for the U.S. Regional Banks sub industry over time.

Casey Lea
Global Director of Quantitative Research

ISS EVA Equity Research Team
evaanalytics@iss-stoxx.com

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U.S. Regional Banks Reporting 3rd Quarter

Figure 2 contains the U.S. Regional Banks that have reported their 3rd quarter results. The list is sorted by descending Market Cap. In the PRVit model, **RBCAA**, **OZK**, **MTB**, **HWC**, and **PFBC** are the most attractive names. However, we have highlighted that **OZK**'s Net Charge-Offs for the latest quarter is red, indicating a substantial jump from the previous year's results. All the large jumps are highlighted in red and may indicate potential problems in credit quality. **WBS** and **PEBO** are two other banks that look attractive in the model (PRVit > 60) but have also seen a large increase in the Net Charge-Offs. Note in the analysis below we use the trailing four quarter values, which are found by default in our company reports. We provide the 2Q2025 and 3Q2024 values for context (labelled Net Charge-Offs (t-1) and Net Charge Offs (t-4) in the table below).

Figure 2: U.S. Regional Banks Reporting 3rd Quarter Results

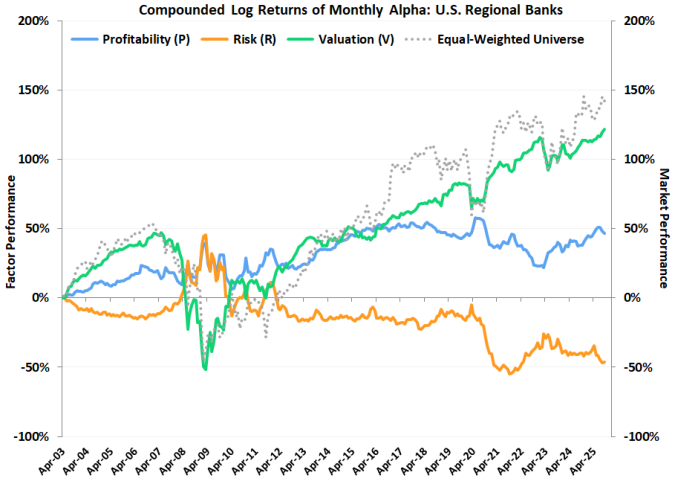
Name	Ticker	Market Cap (US$M)	EVA Margin	EVA Mom	Future Growth Reliance	PRVit	Profit (P)	Value (V)	Net Charge Offs (t)	Net Charge Offs (t-1)	Net Charge Offs (t-4)	ESG Perform. Score	Post Inflection Count	YTD TSR
Regional Banks with 3rd Quarter Reported														
TRUIST FINANCIAL CORP	TFC	56,516	-8.5%	2.4%	11.1%	59	35	15	8.4%	8.6%	9.1%	39	-1	4.29%
M&T BANK CORP	MTB	28,420	1.3%	2.0%	-8.2%	92	69	39	5.5%	5.3%	5.9%	41	4	-0.98%
HUNTINGTON BANCSHARES	HBAN	25,106	-0.9%	6.9%	3.7%	48	65	47	4.1%	4.5%	5.2%	41	5	0.59%
CITIZENS FINANCIAL GROUP INC	CFG	21,931	-14.4%	2.3%	22.1%	39	25	8	8.9%	9.5%	9.3%	37	6	19.11%
REGIONS FINANCIAL CORP	RF	21,737	-5.2%	4.2%	-0.3%	62	44	16	6.6%	6.5%	6.7%	42	5	6.07%
EAST WEST BANCORP INC	EWBC	13,618	20.9%	2.8%	-15.0%	76	96	88	3.9%	4.5%	3.7%	28	6	9.25%
FIRST HORIZON CORP	FHN	10,556	-1.7%	2.0%	14.8%	47	48	61	3.2%	3.2%	4.1%	29	-1	5.38%
WEBSTER FINANCIAL CORP	WBS	9,323	1.3%	2.0%	-17.2%	70	59	27	6.8%	6.9%	5.5%	29	4	4.02%
WESTERN ALLIANCE BANCORP	WAL	8,416	7.9%	3.9%	-26.2%	48	80	55	3.6%	3.5%	2.3%	22	2	-4.82%
ZIONS BANCORPORATION NA	ZION	7,791	-1.1%	3.9%	-3.3%	34	52	32	3.6%	2.0%	1.1%	31	-1	-1.67%
COMMERCE BANCSHARES INC	CBSH	7,192	11.8%	2.3%	11.1%	76	93	94	2.4%	2.4%	2.2%	27	-1	-12.61%
PINNACLE FINL PARTNERS INC	PNFP	6,859	1.3%	5.8%	-6.9%	49	64	45	3.5%	3.8%	4.3%	28	5	-22.85%
BOK FINANCIAL CORP	BOKF	6,776	-0.8%	1.8%	7.3%	37	53	53	0.3%	0.1%	0.8%	28	-2	0.91%
CADENCE BANK	CADE	6,638	0.0%	27.6%	7.8%	27	63	67	4.3%	4.4%	6.5%	29	-3	5.82%
SYNOVUS FINANCIAL CORP	SNV	6,402	7.5%	20.9%	-27.2%	66	86	48	3.5%	4.1%	7.8%	33	-1	-8.26%
GLACIER BANCORP INC	GBCI	5,618	-6.8%	5.8%	44.3%	3	39	94	1.2%	1.3%	1.5%	25	6	-12.18%
F N B CORP/FL	FNB	5,563	-6.4%	2.2%	-5.3%	31	40	10	4.5%	4.7%	3.3%	26	5	6.51%
HOME BANCSHARES INC	HOMB	5,364	1.9%	-1.4%	7.5%	50	47	77	5.1%	5.0%	1.0%	17	-1	-2.26%
BANK OZK	OZK	5,239	16.2%	-4.7%	-80.6%	97	73	25	4.4%	3.9%	3.0%	29	-9	6.15%
HANCOCK WHITNEY CORP	HWC	4,809	3.6%	5.2%	-8.8%	84	70	47	3.4%	3.9%	3.7%	24	-1	5.66%
SERVISFIRST BANCSHARES INC	SFBS	3,887	18.9%	7.3%	21.2%	26	84	98	4.5%	3.4%	2.2%	16	-1	-15.45%
INDEPENDENT BANK CORP/MA	INDB	3,441	-9.7%	-2.8%	12.6%	14	26	37	6.5%	7.8%	1.6%	26	1	9.06%
COMMUNITY FINANCIAL SYST INC	CBU	2,982	2.2%	2.9%	23.3%	24	77	88	1.8%	1.8%	1.3%	24	2	-6.75%
FB FINANCIAL CORP	FBK	2,922	-5.5%	3.4%	35.1%	8	47	89	3.2%	3.7%	0.2%	19	1	7.71%
SIMMONS FIRST NATL CP -CL A	SFNC	2,599	-1186.3%	-71.1%	269.2%	9	0	22	67.7%	5.1%	4.0%	22	-1	-17.56%
WAFD INC	WAFD	2,273	-3.8%	-5.2%	-13.9%	65	23	6	1.6%	1.5%	0.2%	29	-1	-7.40%
BANNER CORP	BANR	2,180	1.5%	1.2%	-6.6%	79	56	44	1.3%	1.0%	0.3%	30	6	-3.03%
COLUMBIA FINANCIAL INC	CLBK	1,608	-42.4%	1.5%	87.0%	1	11	93	3.2%	4.1%	3.9%	29	3	-3.92%
TRIUMPH FINANCIAL INC	TFIN	1,431	-18.1%	-7.4%	101.4%	1	5	93	6.6%	5.3%	3.3%	28	-3	-33.67%
NATIONAL BANK HLDGS CORP	NBHC	1,403	-2.6%	-3.3%	5.3%	45	33	43	4.2%	5.3%	1.9%	21	2	-9.98%
PREFERRED BANK LOS ANGELES	PFBC	1,356	22.8%	-3.3%	-27.2%	81	72	84	2.9%	2.3%	4.4%	20	3	11.41%
REPUBLIC BANCORP INC/KY	RBCAA	1,335	8.4%	2.9%	-15.8%	98	92	72	8.9%	9.1%	11.9%	20	-1	2.52%
WESTAMERICA BANCORPORATION	WABC	1,207	14.9%	-11.6%	-11.7%	65	61	81	1.1%	0.6%	0.9%	14	-9	-7.13%
PEOPLES BANCORP INC/OH	PEBO	1,039	-1.0%	-5.1%	-19.8%	74	35	12	6.9%	6.8%	3.8%	20	2	-2.23%
Average			-34.5%	0.2%	11.5%	50	54	53	0	0	0	27		-2.43%
DJ US SELECT REGIONAL BANKS														1.23%

Factor Performance

In **Figure 3**, we plot the compound alpha generated by going long and short for each of our key factors: Profitability, Risk, and Valuation. Cheap Valuation has been the strongest-performing factor over time, generating an average of 56bps/month of outperformance since 2003. Profitability is the second-strongest factor and has rebounded from early 2023 through this year. Our Risk factor has been ineffective in the Regional Banks sub industry.

Based on these historical factor results, we think **MTB**, **HBAN**, **PNFP**, **SNV**, **HWC**, and **BANR** look interesting, as all have above-average Profitability and cheaper-than average Valuation, and none of them have Net Charge-Offs levels significantly above their year-ago results.

Figure 3: Factor Performance, U.S. Regional Banks



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Key EVA Concepts

The value of a firm = Capital + Present Value of EVA
If EVA is increasing then the intrinsic value of the firm is too, suggesting that market value should follow (and vice versa).

EVA = NOPAT - Capital Charge
EVA is profit after all costs, including the cost of giving shareholders a decent return.

EVA Margin = EVA / Sales
A true economic profit margin covering income and asset efficiency. Our EVA Income Statement examines EVA's line item drivers and offers key insights into business profitability.

EVA Momentum = Δ EVA / Sales
An incremental EVA growth rate indicator and key valuation signal and screening measure. The more positive the Momentum, the greater the growth in EVA, and upward pressure on shareholder returns. Inflections in EVA Momentum are an early and more reliable indicator of stock price inflections.

EVA Shock = Δ EVA Momentum
Changes in EVA Momentum is a powerful signal within our framework, with significant relationship with stock price performance.

Market Implied Momentum (MIM)
The annual EVA improvement required for 10 years to justify the prevailing market enterprise value, expressed as a percent of sales; represents a market implied, long-range EVA margin improvement target.

Future Growth Reliance (FGR) = (Market implied value of future EVA growth) / EV
Measures the % of a company's total enterprise value represented by expectations for future growth in EVA. FGR is key to understanding embedded expectations today and versus history. A low FGR versus history coupled with improving EVA trends indicates that the market is not pricing in the improving business model.

Additional Resources

evaExpress.com (link): Our online offering provides a comprehensive suite of fundamental and quantitative tools utilizing the EVA framework
EVA for Investors (link): A full introduction to the key EVA concepts and metrics

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Research Division

Senior Management Team

Casey Lea
Executive Director
Global Director of Quantitative Research

Gavin Thomson
Associate Director
Global Director of Fundamental Research